

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

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November 1, 2016

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 15-06-013:

This is the proposed decision of Administrative Law Judge John A. Mikita. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 1, 2016 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ Darwin Farrar (for KVC)Karen V. Clopton, Chief
Administrative Law Judge

KVC:lil

Attachment

Decision **PROPOSED DECISION OF ALJ MIKITA** (Mailed 11/1/2016)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U904G) and San Diego Gas & Electric Company (U902G) to Proceed with Phase 2 of their Pipeline Safety Enhancement Plan and Establish Memorandum Accounts to Record Phase 2 Costs.

Application 15-06-013
(Filed June 17, 2015)

DECISION GRANTING REQUEST FOR AUTHORITY TO DEFER GAS TRANSMISSION PIPELINE PROJECTS AND CLOSING PROCEEDING**Summary**

We hereby grant the request of Southern California Gas Company and San Diego Gas & Electric Company (collectively, the “Applicants”) for authority to defer the schedule for specific gas transmission pipeline maintenance projects, as identified below. Based on the record in this proceeding, we conclude that the limited deferral proposed for these maintenance projects is warranted given the safety considerations involved. We also require that, as an interim safety measure, Applicants conduct a special monthly instrumented leak survey relating to the deferred projects until each of the projects is completed, as recommended by the Safety and Enforcement Division. With today’s decision, all issues in this proceeding are resolved, and accordingly, we close this application.

1. Background

In Decision (D.) 11-06-017, we ordered all California natural gas transmission pipeline operators to prepare Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plans (Implementation Plans) to either pressure test or replace all segments of natural gas pipelines which were not pressure tested or lack sufficient details related to performance of any such test.

The Implementation Plans called for testing or replacing all such pipelines as soon as practicable. At the completion of the implementation period, all California natural gas transmission pipeline segments were: (1) to be pressure tested, (2) have traceable, verifiable, and complete records readily available, and (3) where warranted, to be capable of accommodating In-Line Inspection (ILI) devices. We also required operators to implement interim safety enhancement measures, including increased patrols and leak surveys, pressure reductions, and prioritization of pressure testing for critical pipelines. Each operator was to include in the Implementation Plan a priority-ranked schedule for pressure testing all pipelines not previously so tested, and to provide for pressure reductions where necessary.

In line with these requirements, in D.14-06-007, we approved a Pipeline Safety Enhancement Plan (PSEP)¹ for SoCalGas and SDG&E.

¹ The term "Pipeline Safety Enhancement Plan" (PSEP) was the term used in the Southern California Gas Company (SoCalGas)/San Diego Gas & Electric Company (SDG&E) compliance filings for the "Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plans" ordered in D.11-06-017. In D.14-06-007, the name PSEP was contracted to "Safety Enhancement."

The original scope of the instant proceeding related to Applicants' request to proceed with Phase 2 of the PSEP approved in D.14-06-007, and to establish memorandum accounts to record planning and engineering design costs for subsequent Commission action. On April 5, 2016, an assigned Commissioner Scoping Memo Ruling (ACR) was issued, finding the record complete on the above-referenced PSEP ratemaking issues. We resolved those issues by D.16-08-003, issued August 18, 2016.

Today's decision resolves the one remaining issue in this proceeding that was identified in the ACR. This issue relates to Applicants' request to defer certain transmission pipeline maintenance projects that were previously approved. Applicants argued that the deferrals were warranted to ensure reliable energy supplies in the Los Angeles basin while the Aliso Canyon Natural Gas Storage Field is prohibited from injecting and storing additional natural gas deliveries.

As required by the ACR,² on April 29, 2016, Applicants filed a comprehensive description of the projects requested to be deferred, including a revised schedule for completion, and a safety analysis of risk to the public and employees, with mitigation measures. The filing also included a verified statement from Applicants' highest ranking gas system professional engineer licensed in the State of California attesting that, on balance, maintaining system reliability justified the proposed deferrals.

Also, as directed by the ACR, the Commission's Safety and Enforcement Division (SED) completed and distributed a report on June 10, 2016, on its

² ACR at 5-6.

evaluation of Applicants' request for deferrals. The Office of Ratepayer Advocates (ORA) filed comments on the SED Report on June 24, 2016, and the Applicants filed reply comments on July 15, 2016. Based on the SED Report and the comments filed thereon, we find the record complete for purposes of resolving Applicants' request for project deferral.

2. Proposal of the Applicants

Applicants seek Commission authority to defer the construction start date for specified pipeline maintenance projects that were previously approved as part of the PSEP approved in D.14-06-007 or as part of the Transmission Integrity Management Program (TIMP), required by federal regulations. Applicants argue that the requested deferrals are warranted to ensure reliable energy supplies in the Los Angeles basin while the Aliso Canyon Natural Gas Storage Field is prohibited from injecting and storing additional natural gas deliveries.³ The projects proposed to be deferred are all located within the SoCalGas service territory. Applicants state that the limited availability of the Aliso Canyon storage field does not currently impact projects planned within the SDG&E service territory. Applicants state that the new proposed schedule is compliant with the applicable government regulations. The projects sought to be

³ SoCalGas' storage well at Aliso Canyon Storage reservoir facilities in Los Angeles (Aliso Canyon) experienced an uncontrolled flow of natural gas into the atmosphere on October 23, 2015. The leak continued until February 18, 2016, when the California Division of Oil, Gas, and Geothermal Resources (DOGGR) confirmed that SoCalGas had sealed the leaking well. On December 10, 2015, the DOGGR issued an emergency order requiring SoCalGas to discontinue injection of gas into Aliso Canyon until so authorized by the DOGGR. On March 4, 2016, the DOGGR required SoCalGas to conduct tests to verify the integrity of the wells used in the injection, withdrawal and monitoring operations at Aliso Canyon before gas injection will resume.

rescheduled, with original and revised construction start dates, are summarized below.⁴

Program	Project Description	Construction Start Date	
		Original	Revised
PSEP	Line 225 Hydrotest	4/8/2016	4/1/2017
PSEP	Line 404 (Sec. 9) Hydrotest	5/2/2016	6/13/2016
PSEP	Line 404-406 Replacement	7/29/2016	5/1/2017
PSEP	Line 406 (Sec. 3) Hydrotest	4/11/2016	6/13/2016
PSEP	La Goleta Storage Hydrotest	8/1/2016	8/1/2017
PSEP	Line 127 Replacement ⁵	(Conforms to La Goleta Schedule)	
TIMP	Line 3000 East ILI Reassessment	2/22/2016	6/13/2016

3. SED Report Findings

The SED issued a report on June 10, 2016, by distribution to the service list.⁶ The report presented the results of SED's analysis and evaluation of the PSEP projects⁷ and the single Transmission Integrity Management Plan (TIMP)

⁴ A more detailed description of each of the specified projects is contained in the Safety and Enforcement Division Report, dated June 10, 2016, as referenced later in this decision.

⁵ SoCalGas and SDG&E are planning to accelerate the replacement of Line 127 – a 15-foot section of transmission pipeline located inside the La Goleta Storage field as part of the La Goleta Storage Facility Hydrotest. Accelerating this work will allow SoCalGas and SDG&E to realize operating and cost efficiencies by performing the work during the same shut-in of the La Goleta storage facility and by the same personnel already onsite for planned hydrotest.

⁶ The SED Report was entitled: "Analysis Report and Evaluation of SoCalGas and SDG&E Proposal to Defer Some Approved Pipeline Safety Enhancement Plan Projects and Transmission Integrity Management Program Project."

⁷ SoCalGas and SDG&E's PSEP was approved in Commission D.14-06-007. The decision referenced by SED – D.12-04-021 – transferred consideration of the PSEP from Rulemaking 11-02-019 to Application 11-11-002 and authorized creation of the SoCalGas and SDG&E Pipeline Safety and Reliability Memorandum Accounts.

project for which Applicants sought authority to defer as a result of the limited availability of the Aliso Canyon storage facility. SED conducted a safety analysis of the risk that this deferment posed to the general public and the workforce by evaluating the adequacy of the pipeline elements considered in the applicants' safety risk analysis.

Based on its review of the PSEP projects for which a deferral is sought, SED did not observe abnormal pipeline conditions or pipeline integrity data that contradicted Applicants' safety risk analysis report. In that report, Applicants attest that on balance, maintaining system reliability justifies the proposed project deferments. SED did not find that the revised start date schedule for the replacement or hydrotest of the specified PSEP pipeline segments violated any current rules or regulations.

As an interim safety measure, SED recommends, however, that Applicants be required to conduct a special monthly instrumented leak survey of the relevant facilities, (i.e., Lines 127, 225, 404, 406, Somis (404 & 406) and La Goleta Storage facilities) until each of the deferred projects is completed, notwithstanding any other mitigation measures the Applicants have implemented.

With respect to the Line 3000 maintenance project (the only TIMP-related project on Applicants' proposed list of deferred projects), SED does not recommend approval of a deferral. Based on the two grade 2 gas leaks⁸ identified on Line 3000 in a March 2016 routine leakage survey, SED recommended that Applicants not defer the Line 3000 project beyond the

⁸ A Grade 2 leak is a leak that is recognized as being non-hazardous at the time of detection, but justifies scheduled repair based on probable future hazard.

scheduled start date of June 2016. Although the two grade 2 gas leaks identified in March 2016 were remediated, SED identified an indication of abnormal condition and pipeline integrity concern for this pipeline segment. Applicants, requested deferment period for this project has since ended, and the ILI assessment for this pipeline was to have started on June 13, 2016. SED noted that resumption of the ILI assessment would nullify the safety risk associated with this deferment and SED's concern.

4. Position of ORA

ORA does not dispute that the identified PSEP project deferrals are necessary, particularly in light of operational challenges caused by the Aliso Canyon leak and subsequent injection restrictions. ORA also supports SED's recommendation that SoCalGas and SDG&E be required to conduct additional monthly leak surveys as an interim safety measure until the completion of these projects.

SoCalGas also requested authority to defer the Line 3000 maintenance project, which was not part of the PSEP. In response to this request, the SED Report recommended that the applicants should not defer the Line 3000 project beyond its current revised scheduled start date of June 2016.

Given the leaks found on Line 3000 and the subsequent voluntary reduction in the maximum pressure on that Line, ORA supports SED's recommendation not to approve deferral or delay of the ILI reassessment project, which is part of the TIMP.

ORA further proposes that Applicants file an update to their Implementation Plan to incorporate the deferred/delayed projects and any other changes caused by these delays and the Aliso Canyon incident. ORA believes an updated Implementation Plan will provide the latest information regarding

SoCalGas’/SDG&E’s PSEP work and show how delays have affected (or will affect) the PSEP program in its entirety.

ORA also argues that the delay of the six PSEP projects identified in the SED Report may free up resources for other projects not affected by the Aliso Canyon leak and subsequent issues. Accelerating work on other PSEP or Integrity Management Projects could potentially reduce pipeline-related risks, save money, and keep the overall PSEP program on track schedule-wise. ORA thus recommends that Applicants clarify whether the deferral of the identified projects has or will lead to changes in the scheduling, pace, or estimated completion date of other projects. If Applicants have not accelerated or otherwise modified other projects to use the resources saved by deferral of the six PSEP projects, ORA believes that they should explain why not.

5. Applicants’ Reply

Applicants do not oppose the conclusions reached by SED Report and note that progress has been made on many of the projects identified in the SED Report. Applicants also do not oppose SED’s recommendation to conduct additional monthly instrumented leak surveys until the projects have been addressed as part of PSEP.

Applicants, however, oppose ORA’s proposal to require that an update to the Implementation Plan be filed that incorporates the deferred/delayed projects and any other changes caused by these delays and the Aliso Canyon incident. Applicants argue that requiring an update plan to be filed would be inefficient, unnecessary, and lead to regulatory uncertainty and delay of Phase 1 completion.

Applicants note that the Commission has already approved the Phase 1 concepts and authorized Applicants to proceed with Phase 1. Work on PSEP

Phase 1 has gone forward, and Applicants expect to have completed the higher priority (Phase 1A) pipeline pressure test and replacement work in 2018.

In response to ORA's proposal for an explanation of how delay of the six PSEP projects may free up resources for other projects, Applicants state that they do not track how redeploying resources from one project to another may impact risks, costs, or schedule. Nonetheless, Applicants argue that, where practicable, they will accelerate projects and/or re-allocate resources, and will promote effective and expeditious PSEP execution. Despite the rescheduling driven by the Aliso Canyon storage facility's limited availability, Applicants still expect to complete Phase 1A in 2018.

For the remaining three Phase 1A projects, Applicants do not oppose SED's proposed interim safety measures. Finally, for the accelerated PSEP Phase 1B project, in an effort to avoid costs and in recognition of the unique characteristics of the short segment, Applicants propose directly examining the segment as an alternative to replacement.

6. Discussion

Pursuant to Public Utilities Code Section 451 each public utility in California must:

Furnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment and facilities, ...as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

The duty to furnish and maintain safe equipment and facilities falls squarely on California public utilities, including Applicants in this proceeding. The burden of proving that particular facilities are safe also rests with Applicants.

We approve Applicants' request for deferral of the PSEP-related projects, as identified in their April 29, 2016 filing. We conclude that the requested deferral of these projects is warranted in order to ensure reliable energy supplies in the Los Angeles basin while the Aliso Canyon Natural Gas Storage Field is prohibited from injecting and storing additional natural gas deliveries. As the basis for granting approval, we rely on (a) the verified statement from Applicants' highest ranking gas system professional engineer, (b) the findings of the SED Report, and ORA's comments, all as referenced above. In granting Applicants' requested deferrals of the projects, we continue to hold Applicants responsible for meeting their obligation to provide service in a safe and reliable manner.

Applicants identify only one Transmission Integrity Management Program-related project impacted by the limited availability of the Aliso Canyon storage facility, the Line 3000 East ILI Reassessment. The scope of work for this project is ILI Reassessment of predominantly 1957 vintage pipe that runs between compressor stations at South Needles and Newberry Springs. This project is located in remote, non-high consequence areas, and is being inspected as part of ongoing TIMP program mitigative measures. As reflected in its April 29, 2016, filing, SoCalGas' plan was to perform an ILI of Line 3000 East in June of 2016, a schedule shift of four months.

SED recommended against approving applicants' request to defer the Line 3000 project beyond June 2016. ORA supported the SED Report on this issue. Applicants' proposed deferral for the start of the Line 3000 project was June 13, 2016, however, a date which is now passed. Also, as the SED Report noted, the resumption of the ILI assessment would nullify the safety risk

associated with the Line 3000 project deferment and SED's concern. In view of these facts, there is no currently pending delay for the Line 3000 project.

Accordingly, we find no safety concerns relating to the Line 3000 project, which was due to resume on June 13, 2016. Given the passage of time, this date has passed, and the request for authority to defer the project is moot.

We also adopt, as an interim safety measure, the SED recommendation that Applicants be required to conduct a special monthly instrumented leak survey of Lines 127, 225, 404, 406, Somis (404 & 406) and La Goleta Storage facilities until each project is completed, notwithstanding any other mitigation measures the applicants have implemented.

We decline to adopt ORA's proposal to require Applicants to file an update to their Implementation Plan to incorporate the deferred/delayed projects and any other changes caused by these delays and the Aliso Canyon incident. As noted by the Applicants, project schedules generally include contingencies and are planned to be completed within required timeframes or windows. Rescheduling of projects within these windows is routinely performed in response to various factors including permitting, weather, ILI tool availability, operational considerations, and contractor availability. The limited availability of Aliso Canyon is one among several to be taken into account during project scheduling. Applicants are responsible for managing these changes in response to the Aliso Canyon storage field constraints in the same manner as for other operational constraints. In view of these factors, we find no convincing basis to impose the additional regulatory filing requirement that ORA proposes.

7. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Mikita in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code, and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____ and reply comments were filed on _____.

8. Assignment of Proceeding

Commissioner Michael Picker is the assigned Commissioner in this proceeding, and John A. Mikita is the assigned Administrative Law Judge to this proceeding.

Findings of Fact

1. SoCalGas and SDG&E sought to defer six Pipeline Safety Enhancement Program projects, previously approved in D.14-06-007, and one TIMP project required by federal regulations. The deferrals are sought to ensure reliable energy supplies in the Los Angeles basin while the Aliso Canyon Natural Gas Storage Field is prohibited from injecting and storing additional natural gas deliveries.

2. As a required showing to justify the request for specified transmission pipeline project deferrals, SoCalGas and SDG&E (Applicants) submitted a report that included:

- a. A revised schedule for project completion,
- b. A full safety analysis of risk to the public and employees, with mitigation measures, and
- c. A verified statement from Applicants' highest ranking gas system professional engineer licensed in the State of California attesting that, on balance, maintaining system reliability justified the proposed delay in project completion.

3. Based on the SED Report, issued June 10, 2016, which presented the results of its safety analysis of the risk that Applicants' proposed deferment could pose to the general public and the workforce by evaluating the adequacy of the pipeline elements considered in the applicants' safety risk analysis:

- a. For PSEP-related projects, SED did not observe abnormal pipeline conditions or pipeline integrity data that contradicted Applicants' safety risk analysis report that attests on balance, maintaining system reliability justifies the proposed projects deferment; and
- b. SED did not believe the revised start-date schedule for the replacement or hydrotest of the six PSEP pipeline segments violated any current rules or regulations.

4. SED did not recommend deferral of the Line 3000 project (the only project on the list of deferred projects that relates to the TIMP, required by federal regulations) beyond its current revised scheduled start date of June 2016. SED based this recommendation on concerns relating to the two grade 2 gas leaks identified on Line 3000 in a March 2016 leak survey.

Conclusions of Law

1. Good cause exists to grant applicants' request to defer the transmission pipeline maintenance projects as authorized in Ordering Paragraph 1 below, to ensure reliable energy supplies in the Los Angeles basin while the Aliso Canyon Natural Gas Storage Field is prohibited from injecting and storing additional natural gas deliveries.

2. Applicants' proposed revised schedule for the replacement or hydrotest of the specified pipeline segments (Lines 127, 225, 404, 406, Somis Station (404 & 406) and La Goleta Storage facilities) does not violate any current rules or regulations.

3. In accordance with SED Report recommendations, Applicants should be required to conduct additional monthly leak surveys as an interim safety measure until the completion of the projects whose schedules are deferred pursuant to this decision.

4. Applicants' request for a deferral of the Line 3000 project is moot since the requested date of June 13, 2016, for resumption of the project has passed, and there is no longer a pending delay to be addressed.

5. With the resolution of the issues set forth in this decision, and with no further outstanding issues resolve, this application should be closed.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company and San Diego Gas & Electric Company (Applicants) are hereby granted permission to defer the start of construction of the outstanding transmission pipeline projects for which authority was requested in accordance with the schedule below. (For projects whose revised start date has already passed, the request for deferral is moot.) The projects subject to deferral pursuant to Applicants' request are as follows:

PROPOSED DECISION

Program	Project Description	Construction Start Date	
		Original	Revised
PSEP	Line 225 Hydrotest	4/8/2016	4/1/2017
PSEP	Line 404 (Sec. 9) Hydrotest	5/2/2016	6/13/2016
PSEP	Line 404-406 Replacement	7/29/2016	5/1/2017
PSEP	Line 406 (Sec. 3) Hydrotest	4/11/2016	6/13/2016
PSEP	La Goleta Storage Hydrotest	8/1/2016	8/1/2017
PSEP	Line 127 Replacement	(Conforms to La Goleta Schedule)	
TIMP	Line 3000 East ILI Reassessment	2/22/2016	6/13/2016

2. Southern California Gas Company and San Diego Gas & Electric Company (Applicants) are hereby required to conduct a special monthly instrumented leak survey of Lines 127, 225, 404, 406, Somis (404 & 406) and La Goleta Storage facilities until each project is completed, in accordance with the recommendations of the Safety and Enforcement Division Report of June 10, 2016, notwithstanding any other mitigation measures that Applicants have implemented.

3. Application 15-06-013 is closed.

Dated _____ in San Francisco, California.